PAT QUINN
Governor

MICHAEL T. McRAITH
Director

Illinois Department of Insurance

NEWS

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CONTACT:
Anjali Julka (312) 814-0093
Louis G. Pukelis (312) 814-0778

Illinois Department of Insurance Orders American Trade Association, Real Benefits Association, and Others to Cease and Desist Unlawful Insurance Business

Department alerting consumers of scam insurance companies and providing tips on evaluating options when considering non-comprehensive health insurance coverage

CHICAGO – February 24, 2010. The Illinois Department of Insurance on Feb. 9, 2010, ordered the American Trade Association, Real Benefits Association, Obed Kirkpatrick, Incorp. Services, Inc., Smart Data Solutions, LLC, Bart Posey, Serve America Assurance, Ltd., Beema-Pakistan Company, Ltd., Kathleen Cauthen, and Dave Clark to immediately Cease and Desist transacting insurance business in Illinois. The businesses entities and individuals had been marketing and selling non-comprehensive insurance products in Illinois without a license, and have been the subject of numerous consumer complaints received by the Department. Similar actions have been brought against American Trade Association and Real Benefits Association in at least ten other states.

The Department has scheduled a public hearing on this matter on March 3, 2010, in its Springfield Office. The business entities and individuals are required to attend the hearing, following which the Director of the Department has the authority to impose additional sanctions, including fines.

"At a time when families are struggling with the soaring costs of healthcare, Illinois consumers should carefully consider all insurance options to determine appropriate coverage and costs," said Michael T. McRaith, Director, Illinois Department of Insurance. "Before switching to a non-comprehensive insurance company, consumers should thoroughly evaluate the company and ensure the company is properly licensed, and fully understand the options being offered. The Department is always ready to help insurance consumers in making informed insurance-related decisions."

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As the costs of comprehensive health insurance plans continue to rise, many families may consider alternate health insurance plans such as limited benefit or high deductible plans. Although these plans provide some level of protection, consumers need to be aware of what types of coverage are included in the plan and what out-of-pocket expenses or limitations can be expected.

The Department is providing the following information to help consumers evaluate non-comprehensive health insurance options:

Limited Benefit Health Insurance Plans

- Limited benefit health plans are insurance products with reduced benefits intended to supplement comprehensive health insurance plans, not to be an alternative to them. You may have seen these types of plans marketed as Cancer Only, Specific Disease, Hospital Cash or Indemnity plans.

- Limited benefit health insurance plans are not typically required to provide the same level of coverage, so they cover fewer types of medical expenses than a comprehensive policy. These plans may also have higher co-insurance percentages, co-payments and deductibles than comprehensive plans.

- A limited benefit plan will likely limit the amount of coverage the company will pay per episode of illness, sometimes as low as $1,500 to $5,000 (not counting co-insurance and deductibles paid out-of-pocket by you). These policies also provide limited surgical, preventative care, testing and emergency benefits. And with low maximum benefit limits called “caps,” it may be possible for you to reach your cap quickly, leaving you responsible for the balance of the bill.

- Limited benefit health insurance plans are not replacements for comprehensive health insurance coverage. If you lost coverage under a comprehensive plan and are considering a limited benefit plan, there are several things you should have in mind when reviewing the coverage offered by a plan:
    - Consider the current or future medical needs you or your family may have.
    - Decide which medical expenses you may need covered by a limited benefit policy and which you can pay for out-of-pocket.
    - If you are considering a limited benefit health plan instead of continuing existing benefits under Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) or purchasing an individual policy, figure out if the premium savings will offset the high out-of-pocket expense for medical services not covered by the limited benefit plan.
    - Limited benefit plans do not count as creditable coverage under the Illinois Health Insurance Portability and Accountability Act. As such, when you do decide to purchase comprehensive coverage, you will likely have to re-satisfy preexisting condition waiting periods.

- Before deciding if a limited benefit health insurance plan is right for you, carefully consider if the plan meets your current and future needs. Know the limitations of the coverage and understand the expenses that will and will not be covered under the policy. Also, ask your agent if there are any exclusions or limitations specifically spelled out in the policy, so expenses that fall within the coverage gaps do not surprise you.

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High Deductible Health Plans

- Another health plan option is a "high deductible health plan" (HDHP). HDHPs provide the same types of coverage as a comprehensive health insurance plan, but only cover catastrophic health care costs. This means you will be responsible for paying much more of the upfront cost before the policy would pay any benefits for eligible medical expenses. HDHPs have a lower premium to compensate for the higher out-of-pocket costs incurred with these high deductibles.

- There are two types of HDHPs:

  1. Plans qualified by the U.S. Internal Revenue Service (IRS) to be used with a Health Savings Account (HSA). These plans must meet minimum deductible amounts and maximum out-of-pocket limits.
     - For 2010, the minimum deductible for HDHPs is $1,200 for self-only coverage and $2,400 for family coverage.
     - For 2010, the maximum annual out-of-pocket amount for HDHP self-coverage is $5,950 and the maximum annual out-of-pocket amount for HDHP family coverage is $11,900. The limits on maximum out-of-pocket expenses include both the deductible and any shared expenses you are obligated for. These limits are subject to annual cost-of-living adjustments determined by the IRS, which will cause these values to change over time. You can exceed the out-of-pocket limits if you go outside the provider network on a preferred provider plan.
     - For 2010, the maximum annual HSA contribution for an eligible individual with self-only coverage is $3,050. For family coverage, the maximum annual HSA contribution is $6,150

  2. Plans not qualified by the IRS to be used with a HSA. These plans can have much higher deductibles because they exceed the maximum out-of-pocket limits.

More information

The Department's mission is to protect consumers by providing assistance and information, by efficiently regulating the insurance industry's market behavior and financial solvency, and by fostering a competitive insurance marketplace. The Department assists consumers with all insurance complaints, including health, auto, life, and homeowners. Consumers in need of information or assistance should visit the Department's Web site at www.insurance.illinois.gov or call our toll-free hotline at (866) 445-5364.

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